

UNIVERSITY COLUMNS

Natchitoches, Louisiana

Financial Report

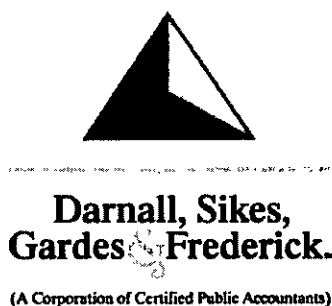
Year Ended June 30, 2010 and 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/8/11

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Independent Auditor's Report

The Board of Directors
 University Columns
 Natchitoches, Louisiana

Kathleen T. Darnall, CPA
 Dustin B. Baudin, CPA, MBA
 Kevin S. Young, CPA
 Adam J. Curry, CPA
 Chad M. Bailey, CPA
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 Kyle P. Saltzman, CPA
 Elise B. Fauchaux, CPA

We have audited the accompanying financial statements of the business-type activities of University Columns, as of and for the years ended June 30, 2010 and 2009, which comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of University Columns' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of University Columns as of June 30, 2010 and 2009, and changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 2, 2011, on our consideration of University Columns' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the basic financial statements of University Columns taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Dannall, Sikes, Gaudes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana

May 2, 2011

BASIC FINANCIAL STATEMENTS

UNIVERSITY COLUMNS

Statements of Net Assets June 30, 2010 and 2009

	2010	2009
ASSETS		
ASSETS		
Cash	\$ 99,106	\$ 90,338
Rents and fees receivable, net	182,443	58,272
Cash - restricted	113,671	52,040
Prepaid expenses	<u>34,143</u>	<u>33,255</u>
	<u>429,363</u>	<u>233,905</u>
PROPERTY AND EQUIPMENT, at cost	7,072,680	7,027,450
Less: accumulated depreciation	<u>(3,253,240)</u>	<u>(3,083,027)</u>
	<u>3,819,440</u>	<u>3,944,423</u>
OTHER ASSETS		
Loan costs, net of amortization	<u>262</u>	<u>12,435</u>
TOTAL ASSETS	<u>\$ 4,249,065</u>	<u>\$ 4,190,763</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 66,349	\$ 59,549
Intercompany accounts payable	143,526	109,964
Accrued interest payable	412,014	908,844
Deferred rent revenue	-	1,102
Security deposits	<u>61,873</u>	<u>40,473</u>
	<u>683,762</u>	<u>1,119,932</u>
Due to related party	1,807,290	1,868,201
Note payable	<u>-</u>	<u>542,384</u>
	<u>1,807,290</u>	<u>2,410,585</u>
TOTAL LIABILITIES	<u>2,491,052</u>	<u>3,530,517</u>
NET ASSETS		
Invested in capital assets, net of debt	1,600,136	624,994
Restricted	-	-
Unrestricted	<u>157,877</u>	<u>35,252</u>
Total net assets	<u>1,758,013</u>	<u>660,246</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,249,065</u>	<u>\$ 4,190,763</u>

See accompanying notes.

UNIVERSITY COLUMNS

Statement of Revenues, Expenses and Changes in Fund Net Assets Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
SUPPORT AND REVENUES		
Apartment rent	\$ 2,247,105	\$ 1,988,608
Fee income	30,844	57,379
Interest income	11,348	5,037
Miscellaneous	<u>21,464</u>	<u>28,044</u>
Total support and revenues	2,310,761	2,079,068
 OPERATING, GENERAL, AND AND ADMINISTRATIVE EXPENSES	 <u>1,212,995</u>	 <u>1,546,615</u>
 INCREASE IN NET ASSETS	 1,097,767	 532,453
NET ASSETS, beginning	<u>660,246</u>	<u>127,793</u>
NET ASSETS, ending	<u>\$ 1,758,013</u>	<u>\$ 660,246</u>

See accompanying notes.

UNIVERSITY COLUMNS
Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and users	\$ 2,148,497	\$ 1,951,631
Interest received	11,348	5,037
Payments to suppliers	(700,347)	(826,381)
Payments to employees and related benefits	(222,647)	(201,604)
Interest paid	<u>(517,929)</u>	<u>(108,596)</u>
Net cash provided by operating activities	<u>718,922</u>	<u>820,087</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(45,228)</u>	<u>(25,356)</u>
Net cash used by investing activities	<u>(45,228)</u>	<u>(25,356)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment on long term debt	<u>(603,295)</u>	<u>(948,002)</u>
Net cash used by financing activities	<u>(603,295)</u>	<u>(948,002)</u>
Net increase (decrease) in cash and cash equivalents	70,399	(153,271)
CASH AND CASH EQUIVALENTS, beginning of year	<u>142,378</u>	<u>295,649</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 212,777</u>	<u>\$ 142,378</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,097,767	\$ 532,453
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debts	25,640	87,822
Depreciation and amortization	182,387	213,287
Increase (decrease) in:		
Rent and fees receivable	(149,814)	(91,460)
Prepaid expenses	(888)	(2,399)
(Increase) decrease in:		
Accounts payable	6,800	10,702
Intercompany accounts	33,562	18,795
Interest payable	(496,830)	86,873
Deferred rent revenue	(1,102)	(30,941)
Security deposits payable	<u>21,400</u>	<u>(5,045)</u>
Net cash provided by operating activities	<u>\$ 718,922</u>	<u>\$ 820,087</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO THE STATEMENT OF NET ASSETS:		
Cash and cash equivalents, end of year		
Cash - unrestricted	\$ 99,106	\$ 90,338
Cash - restricted	<u>113,671</u>	<u>52,040</u>
Total cash and cash equivalents	<u>\$ 212,777</u>	<u>\$ 142,378</u>

See accompanying notes.

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

University Columns provides student housing to students on the campus of Northwestern State University, Natchitoches, Louisiana. University Columns apartment complex is managed under contract by Campus Living Villages Fund (Campus), a student housing organization based in Australia. All personnel employed in the leasing, management, maintenance and operation of University Columns are employees of Campus.

Basis of Accounting

University Columns utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis of accounting in accordance with generally accepted accounting principles.

Depreciation

Depreciation is calculated over the estimated useful lives of the respective assets using the straight-line method.

Maintenance, Capitalization, and Disposal Policies

Repairs and maintenance are expensed as incurred. Expenditures incurred in the construction or that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid interest-bearing deposits with a maturity of three months or less when purchased.

Use of Estimates

Preparation of University Columns' financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loan Costs

Loan costs are being amortized on a straight line basis over the term of the related loan.

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 2 CASH AND CASH EQUIVALENTS

	2010	2009
Unrestricted:		
J. P. Morgan Chase - operating	\$ 96,857	\$ 88,089
Bank of America	2,249	2,249
Total unrestricted	<u>99,106</u>	<u>90,338</u>
Restricted:		
Sabine State Bank - rent deposits	44,174	23,444
Sabine State Bank - security deposits	69,294	28,393
Bank of New York Trust Co. of Florida:		
Project Holding Account	203	203
Total restricted	<u>113,671</u>	<u>52,040</u>
Total cash and cash equivalents	<u>\$ 212,777</u>	<u>\$ 142,378</u>
	Bank Balance	Bank Balance
	2010	2009
Unrestricted:		
J. P. Morgan Chase - operating	\$ 133,304	\$ 122,946
Bank of America	2,249	2,249
Total unrestricted	<u>135,553</u>	<u>125,195</u>
Restricted:		
Sabine State Bank - rent deposits	33,154	20,653
Sabine State Bank - security deposits	66,461	30,579
Bank of New York Trust Co. of Florida:		
Project Holding Account	203	203
Total restricted cash and cash equivalents	<u>99,818</u>	<u>51,435</u>
Total cash and cash equivalents	<u>\$ 235,371</u>	<u>\$ 176,630</u>

NOTE 3 PROPERTY AND EQUIPMENT

Category	2010 Cost	Estimated Useful Lives
Building	\$ 5,613,269	40 years
Streets, sidewalks and pool	578,150	40 years
Fences, gates and signs	130,491	15 years
Interior fixtures	209,994	5 years
Furniture and lighting	135,567	10 years
Equipment	<u>405,209</u>	10 years
Total depreciable assets	7,072,680	
Less: Accumulated depreciation	<u>(3,253,240)</u>	
Net depreciable assets	<u>\$ 3,819,440</u>	

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 4 RELATED PARTY TRANSACTIONS

During development and opening of the project, a total of \$700,000 in construction management, marketing, value engineering, and development expenses were paid to a related party and capitalized as part of the building cost.

A monthly management fee of 5% of gross revenues is paid to a related part as compensation for running the daily operations of the apartment complex. The amount recorded as due to related parties includes costs paid on behalf of the complex by related parties for management fees, expenses and construction.

NOTE 5 COMMITMENTS

Campus has built and operates the apartment complex on land leased from Northwestern State University of Louisiana at Natchitoches. The lease expires on September 1, 2034. The annual rent is equal to an annual base rent of \$1,000 plus an amount equal to 25% of the fund's net cash flow as defined in the ground lease agreement. Additionally, an annual rental of 5% of the net cash flow is to be paid to the improvements owner, an organization in connection with the project. All furniture, fixtures and equipment permanently affixed to the land become the property of Northwestern State University at Natchitoches, Louisiana upon expiration of the lease. However, at any time during the term of the lease, Northwestern State University at Natchitoches, Louisiana, has the right to purchase the complex at a purchase price as defined in the ground lease agreement.

NOTE 6 RELATED PARTY LOANS

A loan procedure exists whereby, the complex cash flows, after the payment of percentage rent to the Lessor, are made available to support the payment of the Project Mortgage and Permitted Mortgages of other affiliated partnerships with interest at 10%. At June 30, 2010, \$940,998 is owed affiliates under this loan procedure.

There is a note obligation to an affiliate with interest at an effective rate of 3%. Unpaid scheduled principal and interest, if any, do not accrue further interest. The note is payable monthly from the cash flow after payment of all project costs and expenses, the Project Mortgage, related party loans, percentage rent to the Lessor and advances under related party loan procedures.

The Complex is a co-obligor with other affiliated entities on notes and accrued interest to an affiliate and is a contingent beneficiary or is contingently liable on such notes. Once the note is current, any excess cash flow is made available as loans to support the payment of the notes of other affiliated companies. The amount of outstanding principal of the note is \$866,292 at June 30, 2010.

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 7 NOTE PAYABLE

Project Mortgage

The Project Mortgage is owed to Connecticut Finance Company, L.P., an affiliate of Campus Living Villages. The Project Mortgage provides for payments of principal and interest at 8.85% in monthly installments.

2010	2009
\$ -	\$ 542,384

NOTE 8 FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy requires the entity to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing methods, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following methods and assumptions were used by University Columns in estimating fair values of financial instruments as disclosed herein:

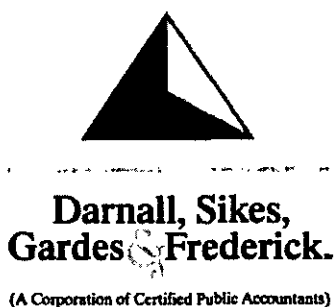
Cash and interest-bearing deposits—The carrying amount of cash and short-term instruments approximate their fair value.

Accounts receivables and other current assets—These items are recorded at amounts that approximate fair value due to their short term nature.

Accounts Payable and other accrued liabilities—These items are recorded at amounts that approximate fair value due to their short term nature.

Long-term debt—The carrying amounts of all long-term debt instruments approximate fair value.

INTERNAL CONTROL AND COMPLIANCE



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
University Columns
Natchitoches, Louisiana

Kathleen T. Darnall, CPA
Dustin B. Baudin, CPA, MBA
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Elise B. Fauchaux, CPA

We have audited the financial statements of University Columns as of and for the year ended June 30, 2010 and have issued our report thereon dated May 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered University Columns' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of University Columns' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University Columns' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dannall, Sikes, Gaudes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana
May 2, 2011

UNIVERSITY COLUMNS

Summary of Prior Year Findings
Year Ended June 30, 2010

There are no prior year audit findings.

UNIVERSITY COLUMNS

Schedule of Findings and Questioned Costs Year Ended June 30, 2010

Part I Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unqualified opinion has been issued on University Columns' financial statements as of and for the year ended June 30, 2010.

Significant Deficiencies and Material Weaknesses - Financial Reporting

There were no reportable conditions in internal control over financial reporting noted during the audit of the financial statements.

Material Noncompliance - Financial Reporting

The results of our tests disclosed no instances of noncompliance which are required to be reported under *Government Auditing Standards*.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended June 30, 2010.

Part II Findings Relating to an Audit in Accordance with *Government Auditing Standards*

There were no reportable conditions or instances of material noncompliance noted during the audit.

Part III Findings and Questioned Costs Relating to Federal Programs

This section is not applicable for the fiscal year ended June 30, 2010.

SUPPLEMENTAL INFORMATION

UNIVERSITY COLUMNS

Schedules of Operating, General and Administrative Expenses Years Ended June 30, 2010 and 2009

	2010	2009
Advertising	\$ 15,040	\$ 14,254
Amortization	12,436	19,631
Bad debts	25,640	87,822
Contract services	83,997	134,280
Depreciation	169,951	193,656
Insurance	92,329	63,263
Interest expense	116,505	183,395
Management fee	107,175	98,279
Meals and entertainment	1,211	3,543
Miscellaneous	23,403	62,418
Office expense	14,496	17,764
Payroll taxes	15,654	12,605
Postage	3,919	2,833
Professional fees	26,724	30,543
Rent	1,000	-
Repair and maintenance	80,014	158,624
Salaries	206,993	188,999
Supplies	588	12,676
Telephone	11,575	6,332
Training	1,034	361
Travel	4,856	5,751
Utilities	198,455	249,586
	<u>\$1,212,995</u>	<u>\$1,546,615</u>

See independent auditor's report on additional information.